

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTH MANCHESTER WATER)	
ASSOCIATION FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY, AND FOR)	CASE NO. 93-396
ORDERS APPROVING AN ADJUSTMENT IN WATER)	
RATES AND CONSTRUCTION FINANCING)	

O R D E R

By application filed November 18, 1993, North Manchester Water Association ("North Manchester") is seeking authorization to construct a \$2,805,321 waterworks improvement project, approval of its plan of financing for this project, and adjustment of rates. Project funding includes a \$2,621,001 loan from the Kentucky Infrastructure Authority ("KIA") and \$184,320 from applicants for service in the project area. The loan will be for a 30-year period at an interest rate of 2.95 percent per annum. North Manchester's proposed rates for water service would generate additional annual revenues of \$234,230, or an increase of 66 percent.

The proposed construction will provide water service to about 555 additional customers. Plans and specification for the proposed improvements prepared by Quest Engineers, Inc. of Lexington, Kentucky ("Engineer"), have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

Commission Staff conducted a limited financial review of North Manchester's operations for the test period, calendar year 1992. Based upon this review, Commission Staff issued a report on

February 17, 1994 recommending an increase in annual operating revenues of \$204,373.

By Order dated February 17, 1994, the Commission advised North Manchester that comments on the Staff Report or a request for a public hearing must be submitted no later than March 4, 1994 or this case would stand submitted to the Commission for decision. On March 4, 1994, North Manchester filed comments requesting that the Commission Staff re-evaluate its rate analysis. This request was based upon an increase in the number of new customers that will actually be served by the proposed construction.

In its application North Manchester estimated that 384 new customers would be added to the system as a result of the proposed construction. However, as of the date of the Staff Report North Manchester had received 555 Water User Agreements. Accordingly, Commission Staff prepared an amended report to include the impact of 171 additional customers on North Manchester's revenue requirement. The Amended Staff Report was issued on March 31, 1994 recommending an increase in annual operating revenues of \$184,476 for a total required operating revenue from rates of \$586,270. Comments to the Amended Staff Report were due on April 15, 1994, however, none were filed.

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that:

1. Public convenience and necessity require that the construction proposed be performed and that a Certificate of Public Convenience and Necessity be granted.

2. The proposed construction consists of about 66.8 miles of 8-, 6-, 4- and 3-inch diameter pipelines, a hydropneumatic pump station, two booster pump stations, a water storage tank, and related appurtenances. After allowances are made for fees, contingencies, and other indirect costs, the total cost of this project is approximately \$2,805,321.

3. North Manchester should monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 5(1), North Manchester should take immediate action to maintain the level of service in conformance with the regulations of the Commission.

4. North Manchester should obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

5. Any deviation from the construction approved should be undertaken only with the prior approval of the Commission.

6. North Manchester should furnish documentation of the total costs of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

7. North Manchester should require construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering, to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

8. North Manchester should furnish, within 60 days of the date of substantial completion of this construction, a copy of the "as-built" drawings and a signed statement of the Engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

9. The financing plan proposed by North Manchester is for lawful objects within the corporate purpose of its utility operations, is necessary and appropriate for and consistent with the proper performance of the utility's service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose. It should therefore be approved.

10. The recommendations and findings presented in the Staff Report and revised in the Amended Staff Report are supported by the evidence of record, are reasonable, and are hereby adopted as the findings of the Commission in this proceeding and incorporated by reference as if fully set out herein.

11. The rates in Appendix A, attached hereto and incorporated herein, are the fair, just, and reasonable rates for North Manchester and will produce gross annual revenues of \$586,270.

These rates will allow North Manchester sufficient revenues to meet its operating expenses and service its debt.

12. The rates proposed by North Manchester would produce revenues greater than that found reasonable herein and should be denied.

IT IS THEREFORE ORDERED that:

1. North Manchester be and it hereby is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project as set forth in the drawings and specifications of record herein.

2. North Manchester's financing plan consisting of a \$2,621,001 loan from KIA and a contribution from the applicants for service of \$184,320 is hereby approved. The financing herein approved shall be used only for the lawful purposes specified in North Manchester's application.

3. The rates proposed by North Manchester in its application are denied.

4. The rates in Appendix A are approved for service rendered by North Manchester on and after the date of this Order.

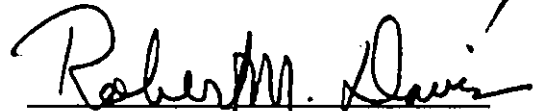
5. Within 30 days of the date of this Order, North Manchester shall file with the Commission its revised tariff setting out the rates approved herein.

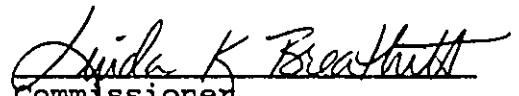
6. North Manchester shall comply with requirements contained in Findings 3 through 8.

Done at Frankfort, Kentucky, this 28th day of April, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 93-396 DATED APRIL 28, 1994.

The following rates and charges are prescribed for the customers in the area served by North Manchester Water Association. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

5/8" x 3/4" Meter

First 2,000 Gallons	\$12.80 Minimum Bill
Above 2,000 Gallons	4.25 Per 1,000 Gallons

1" Meter

First 5,000 Gallons	\$25.55 Minimum Bill
Above 5,000 Gallons	4.25 Per 1,000 Gallons

2" Meter

First 15,000 Gallons	\$68.05 Minimum Bill
Above 15,000 Gallons	4.25 Per 1,000 Gallons